

## Corporate Governance Statement of Biofrontera AG pursuant to Sections 289f, 315d HGB for the financial year 2021

Dear Shareholders,

Corporate governance is understood to be the legal and factual regulatory framework for the management and supervision of a company. The German Corporate Governance Code as amended on December 16, 2019 ("Code") contains principles, recommendations and suggestions for the Management Board and Supervisory Board of Biofrontera AG (hereinafter also referred to as the "Company"), which are intended to help ensure that the Company is managed in the Company's best interests.

The Code clarifies the obligation of the Management Board and the Supervisory Board to ensure the continued existence of the company and its sustainable value creation in accordance with the principles of the social market economy, taking into account the interests of the shareholders, the workforce and other groups associated with the company (stakeholders) (corporate interest). These principles require not only legality, but also ethically based, responsible behavior (guiding principle of the honorable businessman).

As a listed company, the Company is required to issue a corporate governance statement within the meaning of sections 289f, 315d of the German Commercial Code (HGB), including the Group. The Code recommends that the Supervisory Board and Executive Board report annually on the Company's corporate governance in the corporate governance statement.

Pursuant to Section 289f (1) HGB, the corporate governance statement is to be included in the (combined) management report, where it forms a separate section. It may also be made publicly available on the company's website. In this case, the (combined) management report must include a reference to the website. The Company has made use of this option, i.e., this corporate governance statement has not been included in the (combined) management report for the fiscal year 2021, but only the reference to the website where the corporate governance statement is publicly accessible has been included there.

## I. Publication of the Declaration of Conformity pursuant to §§ 289 f (2) no. 1, 315d HGB (German Commercial Code)

The Management Board and Supervisory Board issued the following Declaration of Compliance in November 2021:

*Statement by the Management and Supervisory boards of Biofrontera AG (the company) concerning the German Corporate Governance Code, pursuant to Section 161 of the German Stock Corporation Act (AktG) Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Management and Supervisory boards of Biofrontera AG are obligated to state each year that the recommendations of the "Government Commission on the German Corporate Governance Code" ("Code"), as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger), have been and are being complied with, or which recommendations were not or are not being adhered to and why such is the case ("compliance statement").*

*The Management and Supervisory boards hereby issue the following compliance statement:*

*Since issuing its annual declaration of conformity in December 2020, Biofrontera AG has complied with the recommendations of the Code in the version stated therein, taking into account the exceptions therein. The Management Board and the Supervisory Board further declare that the recommendations of the Code are complied with with the following exceptions (the items listed below are those of the Code as amended on December 16, 2019):*

*Reporting (F. 2)*

*Financial reports, half-yearly reports and interim reports are due to organizational reasons published within the statutory periods and not earlier.*

## II. Further disclosures pursuant to Sections 289 f (2), 315d of the German Commercial Code (HGB)

Biofrontera AG is a public company under German law. The company is managed by the Management Board and the Supervisory Board, which work together for the benefit of the company. The Management Board and Supervisory Board of Biofrontera AG are aware of their responsibility towards shareholders, employees and business partners as well as the general public. Corporate governance represents responsible corporate management and control geared towards long-term value creation. The Supervisory Board and the Management Board continuously review and develop corporate governance within the company in order to maintain good and responsible corporate management and to provide transparency for shareholders.

The Code identifies contents of corporate governance reporting to be included in the corporate governance statement, namely:

- Recommendation B.2

The Supervisory Board should work with the Board of Management to ensure long-term succession planning; the procedure should be described in the corporate governance statement.

- Recommendation B.5

An age limit should be specified for members of the Executive Board and stated in the corporate governance declaration.

- Recommendation C.1

The Supervisory Board should specify concrete objectives for its composition and draw up a competence profile for the entire body. In doing so, the Supervisory Board should pay attention to diversity. Proposals by the supervisory board to the annual general meeting should take these objectives into account and at the same time aim to fill out the competence profile for the entire body. The status of implementation shall be published in the corporate governance declaration. This should also provide information on the number of independent shareholder representatives on the Supervisory Board, as deemed appropriate by the shareholder representatives, and the names of these members.

- Recommendation C.2

An age limit should be specified for members of the supervisory board and stated in the corporate governance statement.

- Recommendation C.8

If one or more of the indicators mentioned in Recommendation C.7 (indicators for assessing the independence of supervisory board members) are met and the supervisory board member in question is nevertheless considered independent, this should be justified in the corporate governance statement.

- Recommendation D.2

The Supervisory Board should form professionally qualified committees depending on the specific circumstances of the enterprise and the number of its members. The respective committee members and the committee chairman should be named in the corporate governance statement.

- Recommendation D.13

The Supervisory Board should regularly assess how effectively the Supervisory Board as a whole and its committees perform their duties. In the corporate governance statement, the supervisory board should report whether and how a self-assessment was carried out.

- Principle 22  
The supervisory board and management board report annually on the corporate governance of the company in the corporate governance statement.
- Recommendation F.4  
The supervisory board and management board of listed companies regulated by special legislation should indicate in the corporate governance statement which recommendations of the Code were not applicable due to overriding statutory provisions.

The above aspects will also be addressed below.

### **General information on the management structure**

With its Executive Board and Supervisory Board, the Company has a two-tier management and supervisory structure. The Executive Board and Supervisory Board are committed to the interests of the shareholders and the welfare of the Company. The Annual General Meeting is the third body of the company.

Biofrontera AG is subject to the provisions of German stock corporation and capital market law as well as the provisions of the Articles of Association and the rules of procedure for the Management Board and Supervisory Board.

The rules of procedure of the Management Board and Supervisory Board are published on the company's website at <https://www.biofrontera.com/de/about-us/management-und-aufsichtsrat>.

### **Information on corporate governance practices**

At the center of our management culture for the Company and its subsidiaries are values enshrined in statutory regulations and internal policies and organizational directives. Of particular importance in this regard are certifications and quality requirements in the area of manufacturing and distribution of pharmacological products, compliance with which requires considerable effort.

In addition, there is a common understanding among management and employees to combine sustainable growth with economic success and, at the same time, to create added value for society through effective and compatible pharmacological products.

To achieve this goal, each employee should be aware of his or her contribution to the company's success and value creation and be able and allowed to assume responsibility for results.

Personal responsibility and initiative require knowledge of the company's content and strategic alignment. Management therefore regularly informs employees about corporate goals, current business developments and the market and competitive environment. In addition, clearly defined corporate structures, areas of responsibility and processes form an essential basis for efficient corporate management and cooperation. In conjunction with defined processes that are subject to continuous optimization, such a structure enables management to be aligned with corporate objectives and regular monitoring of target achievement.

Special emphasis is also placed on motivation and appreciation for the company's employees. After all, special commitment, high productivity and efficiency can only be achieved in a working environment perceived as positive and with a high level of identification with the company and its goals. For this reason, the company promotes a balance between the expected, highly qualified and concentrated work performance in a dynamic market on the one hand and the necessities and needs of private life on the other. Due to its international orientation, it is

essential to take appropriate account of the special features of the individual markets with their respective framework conditions, cultural imprints and expectations, while at the same time maintaining the necessary homogeneity within the Group as a whole.

## **Compliance**

The business activities of the Biofrontera Group must comply with the legal systems of various countries. The Biofrontera Group conducts its business responsibly and in compliance with the legal regulations and official rules of the countries in which it operates. This is particularly true due to the sales activities in foreign markets, especially since the sale of pharmaceuticals in particular is subject to special requirements regarding the integrity of the players. Violations especially in this environment could have serious disadvantages.

The Biofrontera Group therefore expects its employees to act in a legally and ethically impeccable manner in their everyday business activities. This is because, especially as a developer and manufacturer of pharmacological products, the highest degree of integrity is indispensable in order to justify the trust of our partners and, above all, of the patients treated with our products.

Employees are familiarized with the relevant codes of conduct as well as legal and regulatory rules in training sessions with the involvement of the responsible compliance officers. The core messages of the Biofrontera Group's compliance are adherence to antitrust regulations, integrity in business dealings, commitment to product stewardship and sustainability, adherence to the quality management system established within the company, and avoidance or proper handling of conflicts of interest. Our employees have the opportunity and are encouraged - if desired, also protected - to provide information on any legal violations in the companies of the Biofrontera AG Group.

Details are set out in a Code of Conduct entitled "Behavior in Business: Integrity, Innovation, Respect and Responsibility", compliance with which is imposed on all employees and governing bodies.

Against the backdrop of the stock exchange listing of Biofrontera AG's shares, safeguarding market integrity represents a key component of our compliance structure. This includes processes for the group-wide recognition of insider information and for dealing with it in a legally compliant manner, as well as informing our employees about their tasks and duties in this context.

## **Sustainability**

We aim to achieve sustainable corporate development. We therefore also regularly review our positioning in terms of environment, social, governance (ESG). We have our main product, Ameluz®, produced on a contract basis in Switzerland. The main ingredients, in particular the active ingredient used, are produced in the EU. As a supplier of pharmacological products, we and our production partners are subject to a variety of strict regulations and requirements. These also include environmental requirements. We therefore use suppliers and manufacturers who are themselves committed to high ESG standards. The relevant environmental protection and employment standards apply at all our sites. Equal treatment of our employees regardless of origin, gender, religion or ideology, disability, age or sexual orientation is part of our corporate culture.

With the Act Implementing the Second Shareholders' Rights Directive, the legislator stipulated in Section 87 of the German Stock Corporation Act (AktG) that the compensation structure of Executive Board members must be geared to the sustainable and long-term development of the Company. In order to take account of the sustainability concept in this respect as well, the compensation arrangements provided for with the members of the Board of Management stipulate that assessment factors for variable compensation components include financial and non-financial performance criteria, including criteria such as integrity, employee satisfaction and diversity, as well as sustainability/environmental social governance (ESG) aspects.

## Working methods of the Executive Board and Supervisory Board, rights of the Annual General Meeting

### Executive Board

The Executive Board represents the Company externally and manages it in accordance with the law, the Articles of Association and the Rules of Procedure for the Executive Board.

The Executive Board ensures appropriate risk management within the Company and risk controlling. This is intended to identify at an early stage any developments that might jeopardize the continued existence of the Company. It develops the strategic direction of the Company, agrees it with the Supervisory Board and ensures its implementation. The Management Board is responsible for ensuring compliance with statutory provisions and internal company guidelines and works towards their observance by the group companies (compliance).

The Management Board of Biofrontera AG currently consists of one member. The members of the Management Board, if more than one is appointed, bear joint responsibility for the overall management of the company. Notwithstanding the overall responsibility of all members of the Management Board, the individual members manage the areas assigned to them on their own responsibility within the framework of the Management Board resolutions.

The Supervisory Board has issued rules of procedure for the Executive Board. Accordingly, the Board of Management as a whole decides on matters of fundamental importance and in other cases specified therein or by law. Unless unanimity is required by law, the Articles of Association or the Rules of Procedure, the Executive Board adopts resolutions by a simple majority of the votes cast. In the event of a tie, the Chairman shall have the casting vote. Measures and transactions of fundamental importance by the Board of Management require the approval of the Supervisory Board in accordance with the Rules of Procedure of the Board of Management.

The Supervisory Board appoints the members of the Board of Management for a maximum of five years. Reappointment or extension of the term of office, in each case for a maximum of five years, is permitted. It requires a new Supervisory Board resolution, which can be adopted at the earliest one year before the expiry of the previous term of office.

In its Rules of Procedure for the Executive Board, the Supervisory Board has set an age limit such that the Personnel Committee shall only propose to the full Supervisory Board for appointment as a member of the Executive Board persons who have not yet reached the statutory retirement age (currently 67).

The Supervisory Board concludes the Executive Board service contracts with the members of the Executive Board. When determining the total compensation of individual Executive Board members (salary, profit sharing, expense allowances, insurance compensation, commissions, incentive-based compensation commitments such as stock options and fringe benefits of all kinds), the Supervisory Board shall ensure that these are commensurate with the duties and performance of the Executive Board member and the situation of the Company and do not exceed the customary level of compensation without special justification. In the case of listed companies, the compensation structure shall be geared to the sustainable and long-term development of the Company. Variable compensation components shall therefore have a multi-year assessment basis; for extraordinary developments, the Supervisory Board shall agree a cap.

The Act Implementing the Second Shareholders' Rights Directive introduced a new § 87a AktG. According to this, the Supervisory Board of a listed company shall adopt a clear and comprehensible system for the compensation of Executive Board members. Pursuant to the also newly inserted Section 120a AktG, the Annual General Meeting of the listed company shall resolve on the approval of the compensation system for the members of the Executive Board presented by the Supervisory Board whenever there is a significant change to the compensation system, but at least every four years. The resolution and the compensation system shall be published without delay on the Company's website and kept publicly accessible free of charge for the duration of the validity of the compensation system, but at least for ten years.

In accordance with the statutory provisions, the system for the compensation of Executive Board members

resolved in accordance with Section 87a of the German Stock Corporation Act (AktG) was submitted to the Annual General Meeting in 2021.

Pursuant to Sec. 120a (4) AktG, the Annual General Meeting of the listed company shall also resolve on the approval of the audited compensation report for the previous financial year prepared in accordance with Sec. 162 AktG, unless the resolution can be dispensed with pursuant to Sec. 120a (5) AktG. A corresponding resolution will be adopted for the first time at the Company's Annual General Meeting in 2022. The compensation report and the report on the audit of the compensation report shall be made publicly available free of charge on the Company's website for ten years from the date specified in Section 162 (4).

The compensation report for the last fiscal year and the auditor's report pursuant to Section 162 AktG and the applicable compensation system pursuant to Section 87a AktG shall be made available on the Company's website at <https://www.biofrontera.com/de/investoren>. The auditor's report shall also be made available free of charge on the Company's website. The other aforementioned documents to be published relating to compensation are also available there.

### Supervisory Board

The Supervisory Board appoints the members of the Executive Board, advises the Executive Board on the management of the Company and monitors its conduct of business. In accordance with Arts. 95, 96(1), 101(1) AktG in conjunction with the Articles of Association, the Supervisory Board of the Company is composed of six members, all of whom are elected by the Annual General Meeting. The members of the Supervisory Board are elected for the period until the end of the Annual General Meeting which resolves on their discharge for the fourth fiscal year after the beginning of their term of office, unless the Annual General Meeting specifies a shorter term of office at the time of election. The fiscal year in which their term of office begins is not included in this calculation. At present, the Supervisory Board has five members, none of whom were previously members of the Company's Executive Board.

The Supervisory Board shall elect a Chairman and at least one Deputy Chairman. The Chairman of the Supervisory Board organizes the work of the Board, convenes the meetings and chairs them. He is also the contact person for the Executive Board, in particular for reports on important occasions. The Supervisory Board has adopted rules of procedure. The principles of the Supervisory Board's cooperation are set out in the Supervisory Board's Rules of Procedure.

The Supervisory Board is involved in all decisions of fundamental importance to the Company. The Supervisory Board may make certain transactions subject to its approval. The Supervisory Board's main duties also include proposing candidates to the Annual General Meeting for election to the Supervisory Board and for appointment of the auditor. The Executive Board has no right of nomination in this respect. According to the Rules of Procedure of the Supervisory Board, only persons who have not yet reached the statutory retirement age (currently 67) may be proposed for election as members of the Supervisory Board (age limit).

The members of the Supervisory Board may be granted compensation for their activities. The compensation may be set in the Articles of Association or approved by the Annual General Meeting. It shall be commensurate with the duties of the Supervisory Board members and the situation of the Company. Currently, the compensation of Supervisory Board members is regulated in the Articles of Association. In the case of listed companies, Section 113 of the German Stock Corporation Act (AktG), which was also amended by the Act Implementing the Second Shareholders' Rights Directive, requires a resolution on the compensation of Supervisory Board members to be passed at least every four years. In accordance with the statutory provisions, a corresponding resolution proposal was submitted to the Annual General Meeting in 2021.

The applicable compensation system for the Supervisory Board pursuant to Section 113 AktG is made available on the Company's website at <https://www.biofrontera.com/de/investoren>.

## Annual General Meeting

The shareholders exercise their rights at the Annual General Meeting. In particular, they exercise their voting rights there. The Annual General Meeting is held annually within the first eight months of each fiscal year, although special arrangements applied for 2021 due to the COVID 19 pandemic.

The Annual General Meeting passes resolutions in the cases expressly specified by law and in the Articles of Association, namely on

- the appointment of members of the Supervisory Board, unless they are to be delegated to the Supervisory Board or elected as employee representatives to the Supervisory Board in accordance with the German Codetermination Act, the German Codetermination Supplement Act, the German One-Third Participation Act or the German Act on Employee Codetermination in Cross-Border Mergers;
- the appropriation of net income;
- the compensation system and compensation report for members of the Executive Board and Supervisory Board of the listed company;
- the ratification of the acts of the members of the Executive Board and the Supervisory Board;
- the appointment of the auditor;
- amendments to the Articles of Association;
- measures to raise capital and reduce capital;
- the appointment of auditors to audit transactions relating to the formation or management of the Company;
- the dissolution of the Company.

The Annual General Meeting can only decide on management issues if the Executive Board so requests.

The agenda for the Annual General Meeting, including the reports and documents required for the Annual General Meeting, is also published on the Company's website. To facilitate the personal exercise of their rights, the Company provides shareholders with a proxy for Annual General Meetings who are bound by instructions. In the notice convening the Annual General Meeting or in the notices to shareholders, it is explained how voting instructions can be issued in the run-up to the Annual General Meeting.

## Committees of the Supervisory Board

In accordance with its Rules of Procedure, the Supervisory Board currently has a Personnel Committee, an Audit Committee and a Nominations Committee.

The Personnel Committee prepares Supervisory Board decisions on the appointment and dismissal of Executive Board members. Unlike in the past, the full Supervisory Board is also responsible for compensation decisions as a result of the changes introduced by the German Act on the Appropriateness of Management Board Compensation (VorStAG), with the result that the Personnel Committee is only involved in preparatory work in this respect. The Supervisory Board has made a corresponding amendment to its Rules of Procedure. It also discusses long-term succession planning for the Executive Board.

The Audit Committee deals in particular with the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as the audit of the



financial statements, in particular the selection and independence of the auditor and the additional services provided by the auditor. The Audit Committee may make recommendations or proposals to ensure the integrity of the financial reporting process. In the case of companies within the meaning of Section 264d of the German Commercial Code, i.e., also in the case of Biofrontera AG, the proposal of the Supervisory Board for the selection of the auditor shall be based on the recommendation of the Audit Committee. In the case of companies that are public interest entities pursuant to Section 316a sentence 2 of the German Commercial Code, at least one member of the Supervisory Board must have expertise in the field of accounting and at least one other member of the Supervisory Board must have expertise in the field of auditing; the members must be familiar in their entirety with the sector in which the company operates.

The Nomination Committee proposes suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting. In doing so, the Nomination Committee shall take into account the balance and diversity of knowledge, skills and experience of all members of the Supervisory Board and shall draft candidate profiles. In addition, the Nomination Committee shall make proposals to the Supervisory Board and communicate the results of a regular assessment of the knowledge, skills and experience of both the individual members and the Supervisory Board as a whole. In performing its duties, the Nomination Committee may draw on resources of the Company it deems appropriate and may also engage external advisors as appropriate.

In addition, the Supervisory Board may form further committees as required and assign tasks to them to the extent permissible. Further details on the committees, in particular their composition, can be found in the Report of the Supervisory Board for the fiscal year 2021. This is available at <https://www.biofrontera.com/de/investoren>.

#### Targets for the composition of the Supervisory Board and the Board of Management (diversity)

##### *Objectives for the composition of the Supervisory Board / competence profile*

The Supervisory Board shall specify concrete objectives for its composition and develop a competence profile for the entire body. In doing so, the Supervisory Board shall pay attention to diversity. Proposals of the Supervisory Board to the Annual General Meeting shall take these objectives into account and at the same time aim to fulfill the competence profile for the entire body. The status of implementation shall be published in the corporate governance declaration. This shall also provide information on the number of independent shareholder representatives on the Supervisory Board, as deemed appropriate by the shareholder representatives, and the names of these members. Diversity covers a number of aspects, including age, gender, origin, educational or professional background.

The Supervisory Board agrees with the contents of the Code that, in addition to balanced professional qualifications, appropriate internationality and adequate representation of women on the Supervisory Board should always be achieved by taking diversity into account. In this context, "diversity" is to be understood as international origin (not as citizenship), education, training or professional activity as well as gender and age diversity. In principle, however, no one is eliminated as a candidate for the Supervisory Board or proposed for the Supervisory Board solely because he or she possesses or does not possess a certain characteristic.

At companies within the meaning of Section 264d of the German Commercial Code, i.e., also at Biofrontera AG, at least one member of the Supervisory Board must have expertise in the field of accounting and at least one other member of the Supervisory Board must have expertise in the field of auditing (financial expert) in accordance with the requirements of Section 100 (5) of the German Stock Corporation Act (AktG) in the version applicable since July 01, 2021. This is therefore a mandatory diversity criterion and has already been taken into account in the election proposals for the regular election of the Supervisory Board in December 2021.

Amending the objectives regarding its composition ("diversity objectives") named in December 2016, the Supervisory Board named the following objectives in April 2022:

- Experience and skills as a Supervisory Board in appointing members of the Executive Board, advising them and supervising the same
- Experience and skills in corporate development and strategic alignment of successful companies
- Participation in the implementation of the principle of the honorable businessman in the company and its executive bodies
- Knowledge and experience in financing, research and/or sales of companies in the pharmaceutical sector
- Independence of at least half of the Supervisory Board members within the meaning of the German Corporate Governance Code
- Presence of at least one member of the Supervisory Board with expertise in the field of accounting
- Presence of at least one further member of the Supervisory Board with expertise in the field of auditing
- Availability and willingness to serve
- Consideration of the age limit specified in the Rules of Procedure of the Supervisory Board
- The Supervisory Board must include two women by December 31, 2026.

The competence profile thus includes knowledge of the industry and markets, an understanding of the business model and basic knowledge of the (legal) framework, fundamental knowledge of compliance, finance and accounting, and of course the ability to understand reports and submissions by the Board of Management, to critically examine them and to draw their own conclusions, including the ability to assess the propriety, economic efficiency, expediency and legality of the business decisions to be evaluated or to check them for plausibility. Each Supervisory Board member must also meet certain minimum personal requirements that are essential for the efficient work of the Supervisory Board, such as time availability, integrity, discretion, ability to discuss, interact and work in a team.

#### *Assessment of the current achievement of objectives and fulfillment of the competence profile*

From the point of view of the Supervisory Board as a whole, the status of implementation with regard to these objectives is to be assessed positively in relation to the members currently serving on the Supervisory Board:

- Mr. Wilhelm K. T. Zours, Chairman of the Supervisory Board, has many years of experience in financing companies, including those in the pharmaceutical sector. He combines this with a high level of expertise in capital market law. Mr. Zours has been a member of the Supervisory Board since December 2021.
- Dr. Jürgen Tielmann is a lawyer and partner at „Luther Rechtsanwaltsgesellschaft mbH“, Cologne. He is Deputy Chairman of the Supervisory Board. His professional activities focus on corporate law. He has been a member of the Supervisory Board since December 2021.
- Dr. Heikki Lanckriet is CEO of 4basebio PLC, Cambridge, UK. He holds professional degrees as M. Eng Chemical Engineering from Ghent University (Belgium) and PhD in Chemical Engineering from Cambridge University (UK). He has been a member of the Supervisory Board since December 2021.
- Dr. Helge Lubenow is the Chief Executive Officer of Proteomedix AG, Zurich, Switzerland. She studied biology at the Justus Liebig University in Giessen and genetics at the University of Cologne. She has been a member of the Supervisory Board since December 2021.
- Mr. Karlheinz Schmelig is Managing Director of Creathor Venture Management GmbH, Bad Homburg. He studied business administration at the Duale Hochschule Mannheim and completed an MBA at the Kelley

School of Business, Indiana University, USA. He has been a member of the Supervisory Board since December 2021.

For further information on the qualifications of the aforementioned members, please refer to the information provided at <https://www.biofrontera.com/de/about-us/management-und-aufsichtsrat>, including their curricula vitae.

Prof. Dr. Franca Ruhwedel, Professor of Finance and Accounting at Rhein-Waal University of Applied Sciences, Kamp-Lintfort, who was also (re-)elected to the Supervisory Board by the Annual General Meeting in December 2021, was a sixth member of the Supervisory Board until February 22, 2022.

The Supervisory Board aims to propose another Supervisory Board member for election at the Annual General Meeting in 2022 to succeed Prof. Dr. Ruhwedel. The Supervisory Board includes members with all the desired key relevant professional competencies, in particular with regard to industry-related requirements and also with regard to other professional areas (financial expert).

All Supervisory Board members have sufficient time to perform their duties.

### Independence

According to the Code (Recommendation C.6 et seq.), the Supervisory Board should include an appropriate number of independent members on the shareholder side, taking into account the ownership structure.

The Code formulates two aspects of independence: a supervisory board member is to be regarded as independent if he or she is

- independent of the company and its management board, and
- independent of a controlling shareholder.

According to the Code, a Supervisory Board member is independent of the Company and its Executive Board if he or she has no personal or business relationship with the Company or its Executive Board that could give rise to a material and not merely temporary conflict of interest. In assessing whether a Supervisory Board member is independent of the Company and its Executive Board, particular consideration shall be given to whether the Supervisory Board member himself or herself or a close family member of the Supervisory Board member has

- was a member of the Executive Board of the Company in the two years prior to joining the Supervisory Board,
- currently has or has had a significant business relationship with the Company or a company dependent on it (e.g., as a customer, supplier, lender or consultant), either directly or as a shareholder or in a responsible function of a company outside the Group, or in the year up to joining the Supervisory Board,
- is a close family member of a member of the Board of Management, or
- has been a member of the Supervisory Board for more than 12 years.

### Independence from the Company and the Board of Management

More than half of the shareholder representatives should be independent of the Company and the Executive Board. Currently, the Supervisory Board considers all of its members to be independent of the Company and the Executive Board.

### Independence from a controlling shareholder

If the company has a controlling shareholder, the Code states that in the case of a supervisory board with six or fewer members, at least one shareholder representative shall be independent of the controlling shareholder.

According to the Code, a Supervisory Board member is independent of the controlling shareholder if he or she or a close family member is neither a controlling shareholder nor a member of the controlling shareholder's executive body or has a personal or business relationship with the controlling shareholder that could give rise to a material and not merely temporary conflict of interest.

To the best of its knowledge, the Company currently has no controlling shareholder.

### Self-assessment of the Supervisory Board

The Supervisory Board assesses from time to time how effectively it as a whole and its committees perform their duties. To date, the Supervisory Board has refrained from engaging an external consultant to review its efficiency and has conducted the self-assessment as part of a structured discussion within the Supervisory Board on the basis of a checklist. The last such self-assessment took place on December 9, 2020. On the basis of a list of questions prepared by the Chairwoman of the Audit Committee and the answers provided by the members of the Supervisory Board, the Supervisory Board discussed whether there was any reason to change the way the company works and what measures should be taken to this end.

### Objectives for the composition of the Board of Management

According to Recommendation B.1 of the Code, the Supervisory Board shall also pay attention to diversity in the composition of the Executive Board. Pursuant to Section 76 of the German Stock Corporation Act (AktG), the Executive Board is responsible for managing the Company. The aim of the composition of the Executive Board must therefore be to entrust the management of the Company to persons who meet the necessary professional and personal requirements within the framework of collegial cooperation, while maintaining the efficiency of the personnel resources. In the present case, it must also be taken into account that Biofrontera AG, as a holding company, has the task of managing its subsidiaries, but does not itself conduct operational business. Economic expertise and business and industry knowledge, including knowledge of the regulatory framework for the development, approval and sale of drugs, are also required at the level of the Management Board. In addition, due to the business orientation of the Biofrontera Group, a high degree of international experience is desirable.

At the time of issuing this corporate governance statement, the Management Board included one member. Mr. Ludwig Lutter has been Chief Financial Officer of the Company since March 2021. Previously, he worked as CFO at brillen.de, HRS Hotel Reservation Service, Intershop Communications AG, SOPHOS and Poet Holdings, Inc. among others, which were listed on both Nasdaq and the Frankfurt Stock Exchange under his responsibility. Previously, he worked in audit and tax consulting at KPMG and other accounting and tax firms. Mr. Lutter holds a degree in Business Administration from the University of Texas, USA, and has passed the examination as a tax consultant in Germany.

Prof. Dr. rer. nat. Hermann Lübbert was Chairman of the Management Board of Biofrontera until December 13, 2021. He studied biology in his native city of Cologne and received his doctorate there in 1984. After eight years in academic research at the University of Cologne and the California Institute of Technology (USA), he gained experience in the management of a global research organization during a 10-year tenure at Sandoz and Novartis Pharma AG. Prof. Lübbert founded Biofrontera AG in 1997 and has headed the company since then. He completed his habilitation at the Swiss Federal Institute of Technology (ETH) in Zurich and heads the Chair of Animal

Physiology at the Ruhr University in Bochum.

The Supervisory Board is currently in an exploratory and decision-making process with a view to appointing a further member of the Management Board if necessary.

### Succession planning

Against the background of the professional and personal requirements placed on members of the Executive Board of the Company, the Personnel Committee regularly discusses - also with the incumbent Executive Board - which persons (including the incumbent Executive Board members) could be considered for appointment for future terms of office. The personal and professional development of executives in the Group is also taken into account. If necessary, the Supervisory Board also consults external advisers in the search for suitable candidates.

### Equal gender representation

#### Proportion of women in the two management levels below the Executive Board

Pursuant to Section 76 (4) of the German Stock Corporation Act (AktG), the management board of companies that are listed on the stock exchange or subject to co-determination must set targets for the proportion of women in the two management levels below the management board. Biofrontera AG currently does not have two management levels below the Executive Board within the meaning of the provision of Section 76 (4) AktG, but only one. Due to the lack of two management levels below the Management Board, targets for the proportion of women pursuant to Section 76 (4) AktG were set in April 2022 only for the one existing management level below the Management Board. The proportion of women in this first and only management level below the Executive Board was around 50% as of December 31, 2021. The target for the proportion of women in the existing management level below the Executive Board was set at 30% in April 2022. This corresponds to the target last set in July 2017. A higher target was not set because otherwise even the slight expansion of the existing first management level below the Executive Board could lead to the target not being met. The deadline for achieving the target was set for December 31, 2026. At the time this report was prepared, the target figure had been achieved.

### Proportion of women on the Board of Management

In accordance with Art. 111 par. 5 AktG, the Supervisory Board of listed companies or companies subject to co-determination sets targets for the proportion of women on the Executive Board. The target for the proportion of women on the Executive Board, which applied for the 2021 fiscal year, was set at 0% and achieved. The target for the proportion of women on the Executive Board was set at 0% in April 2022 if there is only one member. Otherwise, if only one member is appointed, it would be mandatory to appoint a female member, as otherwise it would be mandatory to fall short of the target figure. However, such a procedure would not be in the interests of the Company because if there is only one member of the Executive Board, it is simply not possible for different genders to participate. The deadline for achieving the target figure was set for December 31, 2026.

### Proportion of women on the Supervisory Board

In April 2022 the Supervisory Board set the target for the proportion of women on the Supervisory Board at 1/3, i.e., two seats out of a current total of six. The deadline for achieving the target was set at December 31, 2026. At present, the target figure has not been reached because Prof. Dr. Ruhwedel left the Supervisory Board prematurely. For further information, please refer to the comments above under "Objectives for the composition of the Supervisory Board".

### Accounting

Biofrontera's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Financial reports, half-yearly reports and interim announcements are published within the statutory deadlines. The individual financial statements of Biofrontera AG are prepared in accordance with the German Commercial Code (HGB).

### Stock option programs and similar securities-based incentive systems of the Company

In this regard, reference is made to the statements in the annual financial statements, the consolidated financial statements and the combined management report.

### Transparency

Our shareholders are informed in particular in the annual report, current press releases and ad hoc announcements about significant events in the Company and the Group. All notifications of exceeding or falling below the voting rights thresholds of 3, 5, 10, 25, 50 and 75 percent received by the Company were published in a timely manner.

Declarations on corporate governance and declarations of conformity with the recommendations of the Code that are no longer current will be kept available on the company's website for at least five years.